

DDI VANTAGE

**Audit Reports
and
Financial Statements
June 30, 2006 and 2005**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Schedule of Functional Expenses – 2006	6
Schedule of Functional Expenses – 2005	7
Notes to Financial Statements	8
Compliance and Internal Control	
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	14
Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133	16
Independent Auditor's Report on State Legal Compliance	18
Supplementary Information	
Schedule of Findings and Questioned Costs	20
Schedule of Expenditures of Federal Awards	21
Summary Schedule of Prior Audit Findings	22
Form SF-SAC	Attachment

VALENTINE CPA

A Professional Corporation

RON R. VALENTINE, M.S.

CERTIFIED PUBLIC ACCOUNTANT

VOICE : (801) 444-3710

FAX : (801) 593-6826

579 SOUTH MAIN STREET.

KAYSVILLE, UTAH 84037

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
DDI Vantage

I have audited the accompanying statement of financial position of DDI Vantage (a nonprofit organization) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DDI Vantage as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 8, 2006, on my consideration of DDI Vantage's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of DDI Vantage taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Valentine CPA

Valentine CPA
A Professional Corporation
December 8, 2006

DDI VANTAGE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,042	\$ 31,828
Grants receivable	235,509	253,389
Other receivables	5,586	5,832
Sales tax receivable	<u>1,772</u>	<u>3,954</u>
	279,909	295,003
 Security deposits	 18,324	 9,324
Office equipment, net of accumulated depreciation of \$209,076 and \$198,308	<u>33,415</u>	<u>44,283</u>
Total assets	<u>\$ 331,648</u>	<u>\$ 348,610</u>
 Liabilities		
Current liabilities		
Accounts payable	\$ 24,834	\$ 54,153
Liability for compensated absences	<u>71,010</u>	<u>54,469</u>
	<u>95,844</u>	<u>108,622</u>
 Net Assets		
Unrestricted	<u>235,804</u>	<u>239,988</u>
Total net assets	<u>235,804</u>	<u>239,988</u>
 Total liabilities and net assets	 <u>\$ 331,648</u>	 <u>\$ 348,610</u>

The accompanying notes are an integral part of these statements.

DDI VANTAGE
STATEMENT OF ACTIVITIES
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Unrestricted Net Assets		
Support		
State and federal financial assistance		
Early intervention – Health Grant	\$3,110,449	\$ 2,821,607
Early Head Start	533,292	552,525
Supported employment - DSPD	108,338	109,327
Supported employment - rehabilitation	38,039	31,834
Early intervention - private service fees	14,284	11,248
Supported employment - private service fees	-	248
Parent donations	110	420
In-kind donations	25,358	112,595
Other donations	7,339	7,490
Other support	480	735
Interest	<u>5,903</u>	<u>4,120</u>
Total unrestricted support	<u>3,843,592</u>	<u>3,652,149</u>
 Expenses		
Program services		
Early intervention – Health Grant	2,686,719	2,380,847
Early Head Start	507,285	597,751
Supported employment	88,561	93,509
Supported employment - rehabilitation	25,924	21,078
Supported employment - private services	490	233
Other	<u>984</u>	<u>-</u>
	3,309,963	3,093,418
Supporting services		
Management and general	<u>537,814</u>	<u>556,009</u>
Total expenses	<u>3,847,777</u>	<u>3,649,427</u>
Increase (decrease) in unrestricted net assets	(4,185)	2,722
 Net Assets At The Beginning of the Year As Previously Reported	 <u>239,988</u>	 <u>237,266</u>
 Net Assets At The End Of the Year	 \$ <u>235,803</u>	 \$ <u>239,988</u>

The accompanying notes are an integral part of these statements.

DDI VANTAGE
STATEMENT OF CASH FLOWS
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (4,185)	\$ 2,722
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,868	15,521
(Increase) decrease in operating assets		
Grants receivable	17,880	(21,815)
Other receivable	246	(416)
Sales tax receivable	2,183	2,115
Security deposits	(9,000)	(1,065)
(Increase) decrease in operating liabilities		
Accounts payable	(29,318)	26,531
Compensated absences	<u>16,540</u>	<u>1,327</u>
Net cash (used) provided by operating activities	<u>5,214</u>	<u>24,920</u>
Cash Flows From Investing Activities		
(Purchases of equipment)		
Cash used by investing activities	<u>-</u>	<u>(5,262)</u>
Net increase (decrease) in cash and cash equivalents	5,214	19,658
Cash and Cash Equivalents		
Beginning of year	<u>31,828</u>	<u>12,170</u>
End of year	\$ <u>37,042</u>	\$ <u>31,828</u>

The accompanying notes are an integral part of these statements.

DDI VANTAGE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2006

	Early Intervention	Early Head Start	Supported Employment DSPD	Supported Employment Rehab	Supported Employment Private	Fund Raising	Total Direct	Management and General	Total Expenses
Salaries and benefits	\$ 1,851,784	\$ 215,005	\$ 60,995	\$ 18,185	\$ 364	\$ -	\$ 2,146,333	\$ 322,670	\$ 2,469,003
Payroll taxes	142,619	17,257	6,109	1,680	32	-	167,697	25,128	192,825
Retirement	130,271	15,968	3,792	1,051	29	-	151,111	24,562	175,703
Contract and temporary labor	146,308	17,394	-	-	-	-	163,702	-	163,702
Consulting	8,030	1,962	-	-	-	-	9,992	1,618	11,610
Supplies	37,576	25,044	243	64	1	-	62,928	5,628	68,556
Telephone/Communications	14,910	8,656	1,297	387	5	-	25,255	17,569	42,824
Postage and shipping	5,358	256	-	-	-	-	5,614	6,464	12,078
Occupancy	153,666	38,780	2,885	890	11	-	196,232	24,492	220,724
Equipment rental	2,098	2,406	-	-	-	-	4,504	2,942	7,446
Printing and publishing	14,980	1,881	1	-	-	-	16,862	1,549	18,411
Travel	78,505	12,720	10,946	2,992	48	-	105,211	1,206	106,417
Conference	4,819	12,242	-	-	-	-	17,061	-	17,061
Liability insurance	20,918	3,336	685	252	-	-	25,191	6,001	31,192
Accounting	141	72	42	11	-	-	266	63,747	64,014
Equipment maintenance	36,744	8,153	61	15	-	-	44,973	8,328	53,301
Training	10,383	12,732	640	225	-	-	23,980	2,016	25,996
Public Awareness	6,371	-	-	-	-	-	6,371	-	6,371
School district grant	-	76,978	-	-	-	-	76,978	-	76,978
Other	14,802	9,957	865	172	-	984	26,780	20,560	47,340
Subtotal	2,680,283	480,799	88,561	25,924	490	984	3,277,041	534,510	3,811,551
In-kind donations	-	25,358	-	-	-	-	25,358	-	25,358
Depreciation	6,436	1,128	-	-	-	-	7,564	3,304	10,868
Totals	\$2,686,719	\$ 507,285	\$ 88,561	\$ 25,924	\$ 490	\$ 984	\$ 3,309,962	\$ 537,814	\$3,847,777

The accompanying notes are an integral part of these statements.

DDI VANTAGE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2005

	Early Intervention	Early Head Start	Supported Employment DSPD	Supported Employment Rehabilitation	Supported Employment Private	Total Direct	Management and General	Total Expenses
Salaries and benefits	\$ 1,672,499	\$ 225,101	\$ 65,829	\$ 14,771	\$ 167	\$ 1,978,367	\$ 339,658	\$ 2,318,025
Payroll taxes	127,431	17,723	5,808	1,271	14	152,247	26,578	178,825
Retirement	117,485	17,989	4,432	930	13	140,849	25,487	166,336
Contract and temporary labor	60,210	6,728	-	-	-	66,939	-	66,939
Consulting	3,759	1,478	47	7	1	5,290	3,053	8,343
Supplies	56,599	29,194	189	38	-	86,020	14,592	100,612
Telephone/Communications	12,401	5,110	1,449	307	4	19,270	18,493	37,763
Postage and shipping	1,946	14	-	-	-	1,960	5,043	7,003
Occupancy	144,827	34,597	3,201	688	10	183,323	23,072	206,395
Equipment rental	1,451	1,533	-	-	-	2,983	4,470	7,453
Printing and publishing	8,781	3,012	65	12	-	11,871	1,249	13,120
Travel	73,550	10,131	10,273	2,227	24	96,206	1,572	97,778
Conference	8,451	15,636	-	-	-	24,087	-	24,087
Liability insurance	18,592	2,563	648	355	-	22,158	5,944	28,102
Accounting	174	17	-	-	-	191	60,511	60,702
Equipment maintenance	19,851	7,667	14	4	-	27,536	10,409	37,945
Training	7,499	17,846	192	43	-	25,580	1,130	26,710
Public Awareness	5,834	46	-	-	-	5,880	-	5,880
School district grant	-	81,371	-	-	-	81,371	-	81,371
Other	25,918	10,102	1,362	425	-	37,808	10,114	47,922
Subtotal	2,367,258	487,858	93,509	21,078	233	2,969,936	551,375	3,521,311
In-kind donations	3,830	108,765	-	-	-	112,595	-	112,595
Depreciation	9,759	1,128	-	-	-	10,887	4,634	15,521
Totals	\$2,380,847	\$ 597,751	\$ 93,509	\$ 21,078	\$ 233	\$3,093,418	\$ 556,009	\$3,649,427

The accompanying notes are an integral part of these statements.

DDI VANTAGE

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

DDI Vantage ("DDI" or "the Organization") is a nonprofit corporation organized to provide (1) early intervention support for disabled children from birth to three years of age, (2) early Head Start functions which include socialization and parent training, and (3) employment support for disabled adults. The primary funding for DDI comes from the Utah State Department of Health. Portions of funds from the Department of Health are specifically designated as federal funds. DDI's accounting policies are as follows.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *"Financial Statements of Not-for-Profit Organizations."* Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by the statement, the Organization has discontinued its use of fund accounting.

Contributions

The Organization has also adopted SFAS No. 116, *"Accounting for Contributions Received and Contributions Made."* Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Investments

The Organization has adopted SFAS No. 124, *"Accounting for Certain Investments Held by Not-for-Profit Organizations."* Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

DDI VANTAGE

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. Normal repairs and maintenance are charged to expense as incurred. Gains and losses on dispositions are included in operations. Depreciation is determined using the straight-line method over the estimated lives of the assets, which range from five to ten years. The Organization capitalizes and depreciates all costs of \$500 or more, which will provide a benefit to the Organization into the future.

Accounts Receivable

Accounts receivable are amounts due on services and are unsecured. Accounts receivable are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest although a finance charge may be applied to such receivables that are more than thirty days past due. Accounts receivable are periodically evaluated for collectibility based on past credit history with clients. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance and current economic conditions.

Restricted Resources

The Organization reflects restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

Allocation of Indirect Expenses

DDI's policy is to allocate management and general expenses to cost objectives based on a causal/beneficial relationship. Costs specifically benefiting a program are directly charged. Costs benefiting more than one cost objective are allocated between objectives based on direct labor dollars. DDI allocates indirect costs each month using the actual direct labor costs from the prior month.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DDI VANTAGE

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, DDI considers cash on hand and cash in banks as cash and cash equivalents.

Income taxes

The Internal Revenue Service has granted DDI an exemption from income taxes under Section 501 (c)(3) of the Internal Revenue Code. The State of Utah has granted a similar exemption to DDI. Accordingly, no taxes have been provided for in the financial statements. In addition, DDI has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Note 2 - Defined Benefit Pension Plan

Plan Description. DDI contributes to the Local Governmental Contributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems ("Systems"). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the Utah State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board ("the Board") whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Non-contributory Retirement System, Public Safety Retirement System for employers with Social Security Coverage, and Firefighters Retirement System, which are for employers with Social Security Coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members in the Local Governmental Contributory Retirement Systems are required to contribute 6.00 percent of their annual covered salary. Of this required 6.00 percent, the employee contributes 3.95 percent and DDI voluntarily contributes the remaining 2.05 percent. In addition, DDI is required to contribute an additional percent of the employee's annual covered salary. This percentage changes every July by the Board. Currently, DDI is required to contribute 7.08 percent. Prior to July 2006, DDI was required to

DDI VANTAGE

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2 – Defined Benefit Pension Plan (continued)

also contribute 7.08 percent. Prior to July 2005, DDI was required to contribute 5.61 percent. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

DDI's contributions to the Local Governmental Contributory Retirement System for the years ended June 30, 2006, 2005, and 2004 were \$181,950, \$160,090, and \$128,929, respectively. The contributions were equal to the required contributions for each year. The salaries and wages subject to retirement for the years ended June 30, 2006, 2005, and 2004 were \$2,029,944, \$1,753,447, and \$1,683,128, respectively.

Note 3 - Grants Receivable

Grants receivable at June 30, 2006 and 2005 consisted of funds due from the following agencies:

	<u>2006</u>	<u>2005</u>
Utah State Department Of Health (Early Intervention)	\$194,971	\$144,603
Medicaid (Early Intervention)	-	30,446
Utah State Department Of Human Services(DHS/DSPD)	9,533	9,641
Utah State Department of Health (Voc Rehab)	7,181	4,221
US Dept. of Health and Human Services (Early Head Start)	16,134	64,706
Private Payments (credit balance)	<u>7,690</u>	<u>(228)</u>
	<u>\$ 235,509</u>	<u>\$253,389</u>

Note 4 - Accounts Payable

As of June 30, 2006 there are \$24,834 of operational expenses that were not yet due. The accounts payable at June 30, 2005 was \$54,153.

Note 5 - Rental Commitment

DDI leases office space in various locations for administrative and program services purposes. Descriptions of the lease commitments are as follows.

1. The lease of the administrative/program services office space at 535 East 4500 South, Bldg. D-240 in Salt Lake City, Utah commenced on November 1, 1995 and expired October 31, 2000. Beginning November 1, 2000, the Organization made monthly rental payments.

DDI VANTAGE

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5 – Rental Commitment (continued)

A 5-year lease was re-negotiated on December 10, 2000 with an effective date of January 15, 2001 and a termination date of January 14, 2006. A new lease has not been executed and DDI is currently making month-to-month lease payments.

2. An additional administrative/program services office suite at 535 East 4500 South, Suite B-120 in Salt Lake City, Utah was leased on a month-to-month basis commencing May 1, 2003.
3. On December 1, 1995, DDI entered into a lease agreement for program services space at 3540 South 5600 West in West Valley City, Utah. The lease expired on December 31, 2000. The lease was renewed on January 1, 2001 and expired on December 31, 2005. The lease was renewed again on January 10, 2006 and expires on March 31, 2011.
4. The Organization commenced a month-to-month rental agreement on November 1, 2001 for program service space at 58 East 100 North in Roosevelt, Utah.
5. On July 15, 1999 the Organization entered into a lease agreement for program service space at 165 Main Street, Suite 200 in Tooele, Utah. The lease expired on July 31, 2001. DDI exercised its option to extend the lease for one year until July 31, 2003. Lease payments are currently on a month-to-month basis.

Future rental commitments under the leases as of June 30, 2006 are as follows.

Year Ended	Program Services Building
<u>June 30</u>	<u>3540 S. 5600 W., West Valley City, UT</u>
2007	\$ 70,719
2008	72,840
2009	75,126
2010	77,384
2011	<u>58,898</u>
Total	<u>\$ 354,967</u>

Note 6 - Commitments, Contingencies and Concentrations

DDI currently has an agreement with its bank to have its excess cash temporarily invested in commercial paper as part of a zero balance checking account arrangement. Any cash deposits temporarily invested in the commercial paper are not insured by the FDIC.

The State of Utah has retained an ownership interest in assets, including equipment, which were purchased with funds received under grants from agencies of the State of Utah.

DDI VANTAGE

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 6 – Commitments, Contingencies and Concentrations (continued)

In the event that grants from these State of Utah agencies are not continued or DDI no longer uses the assets in its operations, DDI may be required to return these assets to the State of Utah. Approximately 43 percent and 46 percent of the Organization's support (excluding Medicaid payments) was provided by the Federal Government for the years ended June 30, 2006 and 2005, respectively. Approximately 35 percent and 36 percent (for the years ended June 30, 2006 and 2005, respectively) of the Organization's support is provided under various contracts with the State of Utah.

Note 7 - Contributed Services and Facilities

During the fiscal year, DDI received the following in donated goods and services.

<u>Description</u>	<u>Estimated Value</u>	<u>Program</u>
Goods/equipment and other	\$ 25,358	Early Head Start
Community services	31,295	Early Head Start
Volunteer labor	2,558	Early Head Start
Volunteer miles driven	124	Early Head Start
Total	<u>\$ 59,335</u>	

The estimated value of \$25,358 for goods/equipment and other are disclosed on the financial statements as "in-kind donation" income and "in-kind donation" functional expenses. None of the above donation expenses were charged against contracts. No provision is made in the financial statements for unpaid donated community services of \$31,295, unpaid volunteer labor of \$2,558, or unpaid volunteer miles driven of \$124.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
DDI Vantage

I have audited the financial statements of DDI Vantage as of and for the year ended June 30, 2006 and 2005, and have issued my report thereon dated December 8, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered DDI Vantage's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DDI Vantage's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit,

and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Valentine CPA

Valentine CPA
A Professional Corporation
December 8, 2006

VALENTINE CPA
A Professional Corporation

RON R. VALENTINE, M.S.
CERTIFIED PUBLIC ACCOUNTANT

VOICE : (801) 444-3710
FAX : (801) 593-6826

579 SOUTH MAIN STREET.
KAYSVILLE, UTAH 84037

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees of
DDI Vantage

Compliance

I have audited the compliance of DDI Vantage with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. DDI Vantage's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of DDI Vantage's management. My responsibility is to express an opinion on DDI Vantage's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DDI Vantage's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of DDI Vantage's compliance with those requirements.

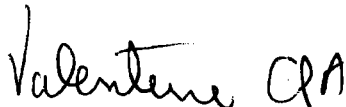
In my opinion, DDI Vantage complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of DDI Vantage is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered DDI Vantage's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Valentine CPA
A Professional Corporation
December 8, 2006

VALENTINE CPA
A Professional Corporation

RON R. VALENTINE, M.S.
CERTIFIED PUBLIC ACCOUNTANT

VOICE : (801) 444-3710
FAX : (801) 593-6826

579 SOUTH MAIN STREET
KAYSVILLE, UTAH 84037

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

To the Board of Trustees of
DDI Vantage

I have audited the financial statements of DDI Vantage, a nonprofit corporation, for the year ended June 30, 2006, and have issued my report thereon dated December 8, 2006. As part of my audit, I have audited DDI Vantage's compliance with the requirements of the provider contract determined to be a major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. DDI Vantage received the following major State assistance program from the State of Utah:

Utah State Department of Health; Division of Community and Family Health Services:
Early Intervention Program

Utah State Department of Human Services; Division of Services for People with Disabilities:
Supported Employment

DDI Vantage also received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of DDI Vantage's financial statements.)

Utah State Department of Rehabilitation: *Vocational Rehabilitation*

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about DDI Vantage's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In my opinion, DDI Vantage complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2006.

Valentine CPA

Valentine CPA
A Professional Corporation
December 8, 2006

**DDI VANTAGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of DDI Vantage.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of DDI Vantage were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of internal controls over major federal award programs as reported in the report on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for DDI Vantage expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for DDI Vantage are reported in this Schedule.
7. The program tested as a major program was the Early Intervention Program Health Grant (CFDA No. 84.181A) .
8. The threshold for distinguishing Types A and B programs was \$500,000.
9. DDI Vantage was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

NONE

DDI VANTAGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education			
Pass-through programs from:			
Utah State Department of Health; Division of Community and Family Health Services:			
<i>Early Intervention Program</i>			
<i>Health Grant</i>	84.181	01-6614	\$1,0343,359
Pass-through program from:			
Utah State Department of Rehabilitation			
<i>Vocational Rehabilitation</i>	84.126A	2008-204	<u>25,924</u>
Subtotal - U.S. Department of Education			<u>1,369,283</u>
U.S. Department of Health and Human Services			
Administration For Children and Families			
<i>Early Head Start Program</i>			
<i>Discretionary Grant</i>	93.600	N/A	385,542
Pass-through program from:			
Utah State Department of Human Services; Division of Services for People with Disabilities			
<i>Supported Employment</i>	93.714	051901	53,137
	93.667	051901	<u>3,542</u>
Subtotal - U.S. Department of Health and Human Services			<u>442,221</u>
Total			<u>\$1,811,504</u>

NOTE - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of DDI Vantage and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**DDI VANTAGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2006**

No prior audit findings were reported in the year ended June 30, 2005 audit's "Schedule of Findings and Questioned Costs" relative to Federal Awards. In addition, there were no audit findings from any year ended prior to June 30, 2005 that have not been corrected.

FORM **SF-SAC**
(5-2004)U.S. DEPT. OF COMM. - Econ. and Stat. Admin. - U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS**
for Fiscal Year Ending Dates in 2004, 2005, or 2006

Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**RETURN
TO****Federal Audit Clearinghouse**
1201 E. 10th Street
Jeffersonville, IN 47132**PART I****GENERAL INFORMATION (To be completed by auditee, except for Items 4 and 7)****1. Fiscal period ending date for this submission**Month Day Year
06 / 30 / 2006Fiscal Period End Dates Must
Be In 2004, 2005, or 2006**2. Type of Circular A-133 audit**1 ☒ Single audit 2 ☐ Program-specific audit**3. Audit period covered**1 ☒ Annual 2 ☐ Biennial 3 ☐ Other - Months**4. FEDERAL
GOVERNMENT
USE ONLY**Date received by
Federal clearinghouse**5. Auditee Identification Numbers****a. Primary Employer Identification Number (EIN)**

8 7 - 0 2 9 6 2 6 2

b. Are multiple EINs covered in this report? 1 ☐ Yes 2 ☒ No**c. If Part I, Item 5b = "Yes," complete Part I, Item 5c on the continuation sheet on Page 4.****d. Data Universal Numbering System (DUNS) Number**

1 2 - 7 1 8 - 4 9 8 4

e. Are multiple DUNS covered in this report? 1 ☐ Yes 2 ☒ No**f. If Part I, Item 5e = "Yes," complete Part I, Item 5f on the continuation sheet on Page 4.****6. AUDITEE INFORMATION****a. Auditee name**

DDI VANTAGE

b. Auditee address (Number and street)

535 EAST 4500 SOUTH, D240

City

SALT LAKE CITY

State

ZIP + 4 Code

UT

8 4 1 0 7 -

c. Auditee contact

Name

J. KEVIN MORRIS

Title

EXECUTIVE DIRECTOR

d. Auditee contact telephone

(801) 266 - 3939

e. Auditee contact FAX

() -

f. Auditee contact E-mail**7. AUDITOR INFORMATION (To be completed by auditor)****a. Auditor name VALENTINE CPA, A PROFESSIONAL CORPORATION****b. Auditor address (Number and street)**

579 S. MAIN STREET

City

KEYSVILLE

State

ZIP + 4 Code

UT

8 4 0 3 7 -

c. Auditor contact

Name

RON R. VALENTINE

Title

PRINCIPAL

d. Auditor contact telephone

(801) 444 - 3710

e. Auditor contact FAX

(801) 593 - 6826

f. Auditor contact E-mail

RON@THE-TAX-COACH.COM

g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Signature of certifying official

Date

Month Day Year

Printed Name of certifying official

Printed Title of certifying official

g. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor

Date

Month Day Year

PART II**FINANCIAL STATEMENTS (To be completed by auditor)****1. Type of audit report**

Mark either:

1 ☒ Unqualified opinion **OR**any combination of: 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion**2. Is a "going concern" explanatory paragraph included in the audit report?**1 ☐ Yes 2 ☒ No**3. Is a reportable condition disclosed?**1 ☐ Yes 2 ☒ No - SKIP to Item 5**4. Is any reportable condition reported as a material weakness?**1 ☐ Yes 2 ☐ No**5. Is a material noncompliance disclosed?**1 ☐ Yes 2 ☒ No**PART III****FEDERAL PROGRAMS (To be completed by auditor)****1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12)**1 ☐ Yes 2 ☒ No**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § 520(b))**

\$ 500,000

3. Did the auditee qualify as a low-risk auditee? (§ 530)1 ☒ Yes 2 ☐ No**4. Is a reportable condition disclosed for any major program? (§ 510(a)(1))**1 ☐ Yes 2 ☒ No - SKIP to Item 6**5. Is any reportable condition reported as a material weakness? (§ 510(a)(1))**1 ☐ Yes 2 ☐ No**6. Are any known questioned costs reported? (§ 510(a)(3) or (4))**1 ☐ Yes 2 ☒ No**7. Were Prior Audit Findings related to direct funding shown in the Summary Schedule of Prior Audit Findings? (§ 315(b))**1 ☐ Yes 2 ☒ No**8. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. (Mark (X) all that apply or None)**98 ☐ U.S. Agency for International Development83 ☐ Federal Emergency Management Agency43 ☐ National Aeronautics and Space Administration96 ☐ Social Security Administration10 ☐ Agriculture39 ☐ General Services Administration89 ☐ National Archives and Records Administration18 ☐ U.S. Department of State23 ☐ Appalachian Regional Commission93 ☐ Health and Human Services05 ☐ National Endowment for the Arts20 ☐ Transportation11 ☐ Commerce97 ☐ Homeland Security06 ☐ National Endowment for the Humanities21 ☐ Treasury94 ☐ Corporation for National and Community Service03 ☐ Institute of Museum and Library Services47 ☐ National Science Foundation82 ☐ United States Information Agency12 ☐ Defense15 ☐ Interior07 ☐ Office of National Drug Control Policy64 ☐ Veterans Affairs84 ☐ Education16 ☐ Justice09 ☐ Small Business Administration00 ☒ None81 ☐ Energy17 ☐ Labor☐ Other - Specify:66 ☐ Environmental Protection Agency09 ☐ Legal Services Corporation

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives ☒
- and, if not marked above, the Federal cognizant agency ☐

Count total number of boxes marked above and submit this number of reporting packages

1

PART III**FEDERAL PROGRAMS - Continued****9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR**

CFDA Number		Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)		If yes, type of audit report 3 (h)	10. AUDIT FINDINGS	
Federal Agency Prefix 1 (a)	Extension 2 (b)					Major program	If yes, type of audit report 3 (h)		Type(s) of compliance requirement(s) 4 (a)	Audit finding reference number(s) 5 (b)
8	4	181	US DEPT OF EDUCATION	\$ 1,343,359.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
8	4	126A	US DEPT OF EDUCATION	\$ 25,924.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9	3	600	US DEPT OF HEALTH AND HUMAN SERVICES	\$ 385,542.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9	3	714	US DEPT OF HEALTH AND HUMAN SERVICES	\$ 53,137.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9	3	667	US DEPT OF HEALTH AND HUMAN SERVICES	\$ 3,542.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
				\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
				\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
				\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
				\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
				\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
				\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
				\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
				\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
				\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
				\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
TOTAL FEDERAL AWARDS EXPENDED				\$ 1,811,504.00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS					

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.

² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)

³ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.

⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

A. Activities allowed or unallowed
B. Allowable costs/cost principles
C. Cash management
D. Davis-Bacon Act
5 N/A for NONE

E. Eligibility
F. Equipment and real property management
G. Matching, level of effort, earmarking
H. Period of availability of Federal funds

I. Procurement and suspension and debarment
J. Program income
K. Real property acquisition and relocation assistance

L. Reporting
M. Subrecipient monitoring
N. Special tests and provisions
O. None
P. Other

PART I

Item 5 Continuation Sheet

c.c. List the multiple Employer Identification Numbers (EINs) covered in this report.

List the multiple DUNS covered in the report.

[illegible]

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS.